

SECRET

CONTINUATION OF
DISPATCH

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b. During the reporting period, in an exchange of letters between CDS and Headquarters on the terms of reference for the LCCASSOCK project, the basis was laid for initiating negotiations with CANASE regarding participation. Pending the outcome of these talks, no further sessions were held with LCCASSOCK-1 with respect to the project reorganization and his role therein. At the end, LCCASSOCK-1 had given no indication that he had been contacted on the CALASTERN offer (see EGBA-24624, 2 December 1958, and subsequent cable traffic).

c. During the month the purchase of a second LCCASSOCK printing press was recorded. The press, which cost DMW 10,000, was actually acquired in November 1958 from the 10,000 CANASE subsidy for the commercial magazine, but acquisition was not recorded in project accountings in January 1959. Although we had originally approved in principle the idea of using part of the CANASE subsidy to provide the commercial magazine with its own printing facilities and thereby release the existing press for exclusively KUCAC purchases, we had not approved the purchase of the press at this time (partly because of the uncertain future of the project, partly because of tax considerations) and were thus considerably irked at LCCASSOCK-1's fait accompli (see paragraph 9 of the 22 January (2000-2400) contact report and paragraph 5 of the 30 January contact report). Despite the slight-of-hand tactics used by LCCASSOCK-1 in this matter (and they must be regarded as merely another instance of his ingrained attitude of resistance to KUBARK control) and the admittedly bad timing for the purchase, we feel that the addition of a second printing press is, in itself, a good idea and that the purchase should not be revoked. The new press has already begun to pay off in increased KUCAC production (see paragraph 1-c of EGBA-55747, 27 February 1959). If after project reorganization it is felt that the extra capacity is not needed and that a single press would suffice for our and CANASE purposes, we could expect that its disposal (re-sale) would involve no great financial loss.

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LCCASSOCK-1